

Message Text

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ACTION AID-59

INFO OCT-01 NEA-10 ISO-00 IGA-02 AGRE-00 SP-02 L-03
EB-08 CIAE-00 INR-07 NSAE-00 COME-00 OMB-01
TRSE-00 EUR-12 EA-10 SS-15 NSC-05 /135 W
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R 080940Z SEP 77
FM AMEMBASSY DACCA
TO SECSTATE WASHDC 6112

LIMITED OFFICIAL USE SECTION 1 OF 2 DACCA 5033

PASS TO: AID/ASIA/BIS, AND USDA

E.O. 11652: N/A
TAGS: EAID, EAGR, BG
SUBJECT: PL 480 TITLE I - STRATEGY FOR FIRST HALF FY 78

SUMMARY. WE ARE CONCERNED THAT THE BDG MAY BE BACKSLIDING FROM INTENTIONS STATED AT PARIS AID GROUP MEETING TO IMPLEMENT POLICY MEASURES AIMED TOWARD FOODGRAIN SELF SUFFICIENCY. THIS PERCEPTION SHARED BY OTHER IMPORTANT FOOD DONORS. IN ATMOSPHERE OF UNCERTAINTY ABOUT BDG'S REAL INTENTIONS, AS EXEMPLIFIED BY RECENT COMMERCIAL PURCHASES, EXPANSION OF RATION SYSTEM, ETC., THE DECEMBER FOOD REVIEW COULD PROVE TO BE A NON EVENT MARKED CHIEFLY BY BDG EXPECTATION OF FIRM COMMITMENT BY DONORS OF FUTURE FOOD AID SHIPMENTS. THIS MESSAGE PROPOSES WE OPEN A DIALOGUE WITH BDG AND OTHER DONORS ABOUT FOOD POLICY MEASURES AND FUTURE FOODGRAIN COMMITMENTS DESIGNED TO LAY GROUND WORK FOR SUBSTANTIVE EXCHANGE AT MID YEAR REVIEW. OUR PRIMARY RECOMMENDATIONS ARE TO (1) MOVE FOOD REVIEW FROM DECEMBER TO JANUARY IN ORDER TO APPRAISE AMAN HARVEST AND BDG FOOD POLICY PERFORMANCE; (2) OPEN FY 78 TITLE I NEGOTIATIONS IN OCTOBER/NOVEMBER FOR 100,000 TONS WHEAT OF 200,000 TONS MINIMUM FY 78 COMMITMENT; (3) REVIEW FY 77 SELF HELP
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MEASURES IN CONTECT THESE NOVEMBER NEGOTIATIONS; AND (4)
SHIP 100,000 TONS IN MONTHS FEBRUARY AND MARCH. END SUMMARY.

1. INTRODUCTION: WE BELIEVE THERE IS POOR
COMMUNICATION AND LIMITED UNDERSTANDING WITHIN THE BDG AND
BETWEEN BDG AND DONORS ABOUT THE GOVERNMENT'S INTENTIONS
WITH RESPECT TO FOODGRAIN POLICY. WE HAVE FOUND THAT HIGH LEVEL

BDG CIVIL SERVANTS CLAIM NO ADVANCE KNOWLEDGE OF RECENT BDG PURCHASE OF BURMESE AND THAI RICE AND AUSTRALIAN WHEAT. MORE RECENTLY, WE HAVE FOUND THAT KEY CIVIL SERVANTS HAD NO KNOWLEDGE OF MINISTRY OF FOOD REQUEST TO U.S. FOR 100,000 TONS RICE UNDER FY 78 TITLE I. IN ADDITION, WE FIND CANADIANS AND AUSTRALIANS SHARE OUR VIEW THAT BDG MAY BE BACKING AWAY FROM SOME POLICY REFORMS INDICATED AT PARIS. FOR EXAMPLE, THERE IS SOME SPECULATION BDG MAY REVERT TO COMPULSORY DOMESTIC RICE PROCUREMENT. OTHER DONORS INCLUDING THE IMF AND WFP ADVISOR ARE EXPRESSING CONCERN ABOUT THE HIGH LEVEL OF FOODGRAIN STOCKS WHICH ARE PROJECTED FOR DECEMBER, 1977. WE SHARE THESE CONCERNS AND ARE THEREFORE LOOKING FOR WAYS AND MEANS TO IMPROVE COMMUNICATION WITH THE BDG.

2. MID YEAR FOODGRAIN REVIEW:

A. LARGELY AT U.S. INITIATIVE, BDG AND MAJOR DONORS AGREED IN PARIS AID GROUP MEETING TO MID YEAR FOODGRAIN MEETING WITH INTENDED PURPOSES OF ASSESSING BDG PERFORMANCE IN IMPLEMENTING MEASURES AIMED TOWARD FOODGRAIN SELF SUFFICIENCY AND FIRING UP DONOR COMMITMENTS AND SHIPPING A SCHEDULES FOR THE YEAR. THE MISSION IS CONCERNED THAT ONLY TWO MONTHS AFTER PARIS MEETING, THE ENVISIONED COOPERATIVE RELATIONSHIP -- GROUNDED UPON A CONTINUOUS AND COMPLETE EXCHANGE OF INFORMATION ON PLANS AND INTENTIONS -- IS NOT WORKING WELL.

B. FOR SEVERAL REASONS, MISSION NOW BELIEVES A MEETING IN LIMITED OFFICIAL USE

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DECEMBER WOULD BE TOO EARLY. FIRST, AND ON ASSUMPTION THAT MEETING WOULD BE HELD BEFORE MID MONTH, THERE WOULD BE NO SIGNIFICANT DATA AVAILABLE TO ASSESS PROGRESS OF AMAN PROCUREMENT DRIVE (PROBABLY BEGINNING NO EARLLIER THAN MID NOVEMBER AT BEST) WHICH MAY BE ADVERSELY AFFECTED BY HIGH YEAR-END STOCK LEVEL. SECOND, IT WILL BE TOO EARLY TO ASSESS WHETHER BDG HAS IMPLEMENTED NEW POLICY MEASURES ANNOUNCED OR INDICATED AT PARIS MEETING, SEVERAL OF WHICH WERE TIMED FOR JANUARY 1, 1978. IN PARTICULAR, IF DONORS ARE TO MATCH FOODGRAIN IMPORT COMMITMENTS TO PROGRESS MADE BY BDG IN IMPLEMENTING POLICY CHANGES THEY WILL WANT TO KNOW: (1) WHETHER WEELLY RATION QUOTA REDUCED; (2) IF RATION OF RICE TO WHEAT CHANGED TO FAVOR WHEAT IN STATUTORY RATION; (3) WHETHER HIGHER INCOME GROUPS HAVE BEEN EXCLUDED FROM RATION SYSTEM; (4) IF RATION PRICE INCREASE HAS BEEN IMPLEMENTED; (5) IF MERCHANISMS HAVE BEEN DEVISED TO DISTRIBUTE FOOD TO NEEDY AND DESTITUTE; (6) WHETHER THE SCALE OF OPEN MARKET OPERATIONS HAS BEEN EXPANDED IN THE PLACE OF REDUCED RATION SYSTEM OFFTAKES; AND (7) WHETHER THE PROCUREMENT DRIVE HAS PROVEN TO BE EFFECTIVE VEHICLE FOR MAINTAINING FARMGATE PRICES AT HARVEST. ON THE BDG'S SIDE AND IRRESPECTIVE OF ITS PROGRESS IN IMPLEMENTING SUCH MEASURES, THEY WILL WANT TO KNOW HOW MUCH FOODGRAIN THE DONORS WILL BE SHIPPING AND WHEN.

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C. WITH ABOVE CONSIDERATIONS IN MIND WE RECOMMEND THAT
MID YEAR FOOD REVIEW BE SCHEDULED FOR MID JANUARY WHEN MORE
INFORMATION WILL BE AVAILABLE ON POINTS MENTIONED ABOVE. AGENDA
FOR MEETING SHOULD INCLUDE REVIEW ALL BDG
STATEMENTS MADE ON
FOOD POLICY MEASURES TAKEN AS TF JULY, 1977 AS WELL AS PROGRESS IN
IMPLEMENTING MEASURES INDICATED TO COINCIDE WITH AMAN HARVEST
(I.E. DECEMBER-JANUARY). AGENDA SHOULD ALSO INCLUDE STATEMENTS
BY DONORS ON SPECIFIC PLANS WITH RESPECT FOODGRAIN COMMITMENTS
AND SHIPPING SCHEDULES. TO ENABLE THE DONOR REPRESENTATIVES
TO PREPARE FOR THE DACCA MEETING WE SUGGEST THAT THE BDG
CIRCULATE A MEMORANDUM TO THE DONORS 30 DAYS BEFORE MEETING
WITH A STATEMENT OF THEIR STOCK POSITION AND FUTURE OUTLOOK AND
POLICY CHANGES.

D. FINALLY, TO SET THESE RECOMMENDATIONS IN MOTION, MISSION
RECOMMENDS USG DEMARCHE TO FOOD DONOR CAPITALS, WORLD BANK,
IMF AND BDG AS EARLY AS POSSIBLE.

3. PL 480 TITLE I:

A. IF THE USG TAKES INITIATIVE TO MOVE FOOD REVIEW TO JANUARY,
THE BDG IS LIKELY TO ARGUE THAT DELAY WILL MEAN LITTLE OR NO
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FOODGRAIN WILL ARRIVE IN PERIOD JANUARY THROUGH APRIL, AND, THEREFORE, THERE WOULD BE BUNCHING OF SHIPMENTS, PORT CONGESTIONS, ETC. BEGINNING ABOUT MAY.

B. THE DILEMMA, AS WE SEE IT, IS THAT WHILE THE BDG HAS A LEGITIMATE CONCERN WITH RESPECT TO HAVING FIRM COMMITMENTS TO PERMIT FORWARD PLANNING, THE USG IS CONSTRAINED TO PROVIDE TITLE I FOODGRAIN ONLY TO THE EXTENT THAT SUCH FOOD AID SUPPORTS THE BDG'S DEVELOPMENT EFFORTS. MORE SPECIFICALLY, WE ARE CONCERNED THAT THE BDG'S PROGRESS IN IMPLEMENTING THE FY 77 PL 480 TITLE I SELF HELP MEASURES (WHICH ARE QUITE SIMILAR TO BDG INTENTIONS STATED AT PARIS), WILL NOT MEET OUR MINIMAL EXPECTATIONS. THUS THE BASIS FOR A FY 78 TITLE I AGREEMENT AND SELF HELP MEASURES WILL BE WEAKENED.

C. ONE SOLUTION TO THIS DILEMMA WOULD BE TO OPEN NEGOTIATIONS IN LATE OCTOBER/EARLY NOVEMBER FOR 100,000 TONS WHEAT OF THE 200,000 TON MINIMUM PLEDGED AT PARIS. THESE NEGOTIATIONS WOULD PRESENT A FORUM FOR A REVIEW OF THE FY 77 TITLE I SELF HELP MEASURES AND AN OPPORTUNITY FOR THE MISSION TO MAKE CLEAR THAT THE TOTAL FY 78 COMMITMENT CAN EXCEED 200,000 TONS OF WHEAT ONLY IF THE JANUARY FOOD REVIEW REVEALS POSITIVE BDG PERFORMANCE IMPLEMENTING MAJOR FOOD POLICY MEASURES. IN THIS CONTEXT, THE MISSION COULD MAKE POINT THAT THE FY 78 TITLE I SELF HELP MEASURES WOULD BE BUILT UPON THE SUCCESSFUL IMPLEMENTATION OF THE FY 77 MEASURES; HOWEVER, THE FY 78 MEASURES WOULD NOT BE NEGOTIATED UNTIL THE FIRST AMENDMENT WHICH WOULD OCCUR SOMETIME AFTER THE JANUARY REVIEW. SUCH A STRATEGY WOULD MEET SEVERAL NEEDS: (1) IT WOULD PERMIT SHIPPING 100,000 TONS OF TITLE I WHEAT IN THE MONTHS OF FEBRUARY OR MARCH; (2) THIS AMOUNT COMBINED WITH ABOUT 50,000 TON TITLE II SHIPMENTS ARRIVING IN JANUARY OR FEBRUARY WOULD CONSTITUTE HALF OF THE USG'S MINIMUM COMMITMENT FOR FY 78 MADE AT PARIS (I.E., 200,000 TONS TITLE I AND 100,000 TONS TITLE II); (3) THESE SHIPMENTS WOULD HELP LIMITED OFFICIAL USE

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SPREAD FOODGRAIN IMPORTS MORE EVENLY OVER PERIOD JANUARY-JUNE; AND (4) BDG WOULD REMIND AGAIN THAT THE AMOUNT OF U.S. TITLE I FOODGRAIN COMMITTED ABOUT 200,000 TONS IS DIRECTLY TIED TO THEIR PERFORMANCE IN IMPLEMENTING MEASURES AIMED TO ACHIEVE FOODGRAIN SELF SUFFICIENCY.

4. REQUEST DEPARTMENT/AID/USDA COMMENT ON RECOMMENDATIONS CONTAINED THIS MESSAGE.

DECONTROL AFTER 3/8/78
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Message Attributes

Automatic Decaptioning: X
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